AUGUST 1992

INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

WHO'S KILLING TOTAL QUALITY?

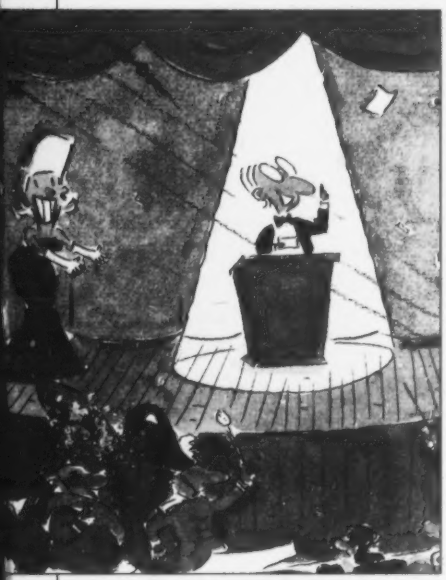
AND CAN A MOTIVATED WORK FORCE HALT ITS DESTRUCTION?

SALES KICKOFFS
ROLLING OUT THE PROGRAM WITH PIZZAZZ

WHAT DRIVES CAR SALESMEN?
CREATIVE CAMPAIGNS THAT JUMP-START SALES

HARD LABOR
WHEN UNIONS AND MANAGEMENT COLLIDE OVER INCENTIVES

A BILL PUBLICATION



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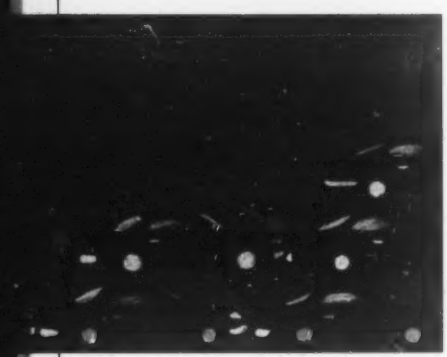

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Cover illustration: Bob Peters

INCENTIVE helps companies become more productive and improve the quality of their work by motivating employees to work more effectively and customers at all levels to buy. Our stories demonstrate the benefits of integrating internal motivation programs and external marketing efforts.

STATE OF THE UNIONS

Can management sell labor on employee-involvement incentives?

BY REGINA EISMAN

Developing an employee involvement program seldom comes easily, but a unionized work force can throw an additional monkey wrench into even the most well-intentioned corporate plans. Tensions between unions and management often make employees highly skeptical of any type of program—whether it's a work-team system or an incentive plan—that management wants to put in place.

Consultants who have worked with unionized workplaces, however, say that programs can find success in the unionized arena—provided that companies spend money on employee education and training, and make a concerted effort to involve and communicate with workers.

Many of the obstacles faced by companies with unions can be traced to a history of poor labor relations at the company. Unions usually have a more antagonistic relationship with management than non-unionized work forces do. "There tends to be

a long history of an 'us versus them' attitude," says Rex Houze, president of Leadership Management Inc., a Waco, Tex., consulting firm.

"I think the main problem is the traditional labor-management relationship, which is adversarial by nature," agrees John Belcher, president of Houston-based consulting firm J.G. Belcher Associates, an adjunct consultant to the American Productivity & Quality Center, and author of "Gain Sharing" (1991, Gulf Publishing Company). "The attitude is that whatever one party wants to do must be bad for the other. Also, unions often think that involvement programs are a ploy to undermine the influence of the union."

William Cooke, a professor at the College of Urban, Labor and Metropolitan Affairs at Detroit's Wayne State University, notes that a union's very existence can impede labor-management cooperation. Non-union employers, who don't have to deal with the power of the union, are free to set employment conditions that they feel will maximize performance and profitability, Cooke points out in an article to be published this fall in "Industrial and Labor Relations Review."

There are other problems, too, such as legal considerations: Witness several recent cases in which unions filed challenges to the creation of employee teams, claiming that such setups violate collective bargaining laws. "Many unions feel that things should be worked out in the collective bargaining process rather than in teams," says Louis Ferman, a professor of social work at the University of Michigan's Institute of Labor and Industrial Relations. "They think, 'We've already negotiated a way of handling problems—collective bargaining.'" In addition, certain team-building methods—such as job rotation and cross-training—sometimes violate union contracts, which might require that people perform only one function. In such cases, contracts might have to be re-negotiated.

CLOSE-MOUTHED

Hurdles like these might explain unions' reluctance to support an employee involvement or incentive program. "It's very difficult for unions to give their blessing to something because they feel it will be cast in stone, so they keep quiet," says Wally Donaldson, marketing promotions manager at BC Tel, a telephone company in Burnaby, British Columbia. When BC Tel set up a program offering incentives to any employee who refers a potential customer, "the union accepted it, but they didn't really comment on it," he says. "I asked the union leader about it, and he said, 'Consider no comment a blessing.' But there haven't been any grievances, and as of May we were up 31 percent in referrals over last year, which I think is a sign that the employees are committed."

Management consultants note that easing transitions to participative management in union work settings isn't drastically different from doing so in non-unionized ones—though, says Patsy Kiser, president of consulting firm Innovative Work Systems in Davidson, N.C., "The union represents an additional player that should be part of the planning and design process." The essential elements of this process: communicating with the workers and truly involving them—rather than just talking about involving them. "When self-directed work teams are even discussed, you need to have a union rep there from day one," Kiser says.

JOINT TRAINING

One way to do that is to teach workers and management together—for instance, holding in-house meetings that both parties will attend, sending managers and union members to the same off-site seminars, even teaming up to go on site visits to the company's plants. "I've had people in my seminars say, 'Oh, yes, our union people are involved in this program,' and then I ask, 'How many of you are union members?' and nobody raises a hand," says Jill George, a work-team consultant for Development Dimensions International, a Bridgeville, Pa., consultancy that specializes in organizational change. "The successes happen when union members and company officials go out and get educated together."

For instance, the United Auto Workers has set up collaborations with the Big Three auto makers. Each company operates a training and development center that's run jointly by a union member and a management-level person.

Don Davis, a union member who is executive co-director of the UAW-General Motors Human Resource

DIVERGING VIEWS

Management and unions have differing perceptions about their respective commitment to joint programs. They disagreed somewhat about management's commitment, but the split was much greater when they rated union commitment.

UPPER MANAGEMENT COMMITMENT

	Management response	Union response
Not a problem	36%	41%
Somewhat a problem	34%	21%
Very much a problem	30%	39%

UNION LEADER COMMITMENT

	Management response	Union response
Not a problem	22%	51%
Somewhat a problem	51%	36%
Very much a problem	27%	14%

Source: "Labor-Management Cooperation," William Cooke, 1990, Upjohn Institute for Employment Research

Center in Auburn Hills, Mich., says that the union-management partnership has gotten stronger as GM has changed its management style. "Participative management has evolved here over the past 10 years," he says. "In the past, companies thought all they needed were people with a strong back and a good forearm, but they now realize that a lot of workers' intelligence is untapped. When you involve workers, they become better employees, they feel better about themselves and they actually look forward to coming to work."

"It's very difficult for unions to give their blessing to something because they feel it will be cast in stone."

Because GM employs 280,000 people who are scattered at 150 plants in 33 states, involvement programs vary from factory to factory. Generally, though, workers are divided into teams that meet daily, or even two or three times a day depending on need. "They ask, 'Is there some way of improving this process? Is there a way of making this more efficient?'" Davis explains. "They discuss anything that relates to the job—whether it's moving a box closer to a worker or giving him an extra tool. People like to be asked what they think." Team members also go through a variety of cross-training so they can rotate jobs with other workers.

Davis notes that while some union members have resisted these moves, many members have realized that the job changes mean job security: "If we don't build a quality car, the company isn't going to sell it, and we're not going to have a job."

Education plays a large role in the use of teams. Davis says that GM has spent more than $1 billion on training over the past seven or eight years. "There's definitely a better relationship between labor and management now; we have a better understanding of each other," Davis says. He adds, however, that there could be even more involvement. "GM is so big that it's hard to keep track of every plant, and we've got plants that are still doing things the old way. There's no way to legislate this. You can't say, 'You have to get involved. You have to look for problems.'"

Houston Belt and Terminal, a railroad switching service, also trains its union employees and managers together, says president Harlan Ritter. Two years ago, the company began offering voluntary training through Leadership Management Inc. The course consists of "modules"—classes that cover everything from personal motivation to handling irate customers. Each person takes all of the modules, even if they don't all apply to his or her job. "We feel everyone should be knowledgeable about what the company is doing," says Ritter. The company recently added quality-improvement courses that include problem solving, working in teams (the company's next step), increasing the payoffs of training and giving feedback.

So far, 175 of the 500 workers have been trained. "The union initially thought it was brainwashing and a lot of propaganda," Ritter says. "But once they took the course, they were saying, 'Wow, I should give this training to my family because this applies to my personal life as well as my job.' There are still people who think it's useless, but the people who have taken it are telling their peers to take it, so we hope that will have an effect."

"Most companies don't communicate to workers very well, which leads to a lot of mistrust."

Along with involvement comes the not-always simple process of communication. "You have to open up the information-sharing process," Belcher advises. "Most companies don't do that very well, which leads to a lot of mistrust. It's vital for companies to communicate information about the business, so they understand the requirements of their customers and the challenges of competition."

STRAIGHT TALK

At Duke Power Company in Charlotte, N.C., communication might make the difference between success and failure, says Kiser, who also serves as human-resources consultant to Duke. The utility had embarked on self-directed work teams even though management wasn't ready for the change, she says. "When the work groups started making presentations to management on what they were doing, how they were doing it, what problems they had—in other words, having frank and open discussions, which they had never done before—management started becoming more supportive of what they were doing," Kiser claims. She recently helped Duke come up with a five-year plan to move toward the team setup.

While unionized workplaces certainly aren't strangers to incentive or employee involvement programs, Belcher believes that more of them are turning to various forms of motivation systems. "I've seen, over the past four to five years, that companies are becoming much more responsive to the professional and personal development of unionized people," he says. Right now, the interest is partly because of the economy. "With companies downsizing, any move that will improve quality is motivational for the employees because nobody wants to be out of a job," says Tom Roth, vice president of product management for Wilson Learning Corporation, a training and development firm in Eden Prairie, Minn.

"I think we've come a long way in the last decade," Belcher says. "It was like pulling teeth 10 years ago just to get unions to *talk* about employee involvement. I'd say most unions today appreciate the need for employee involvement on some level, but there's still a long way to go." □

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SEPTEMBER 1992

INCENTIVE

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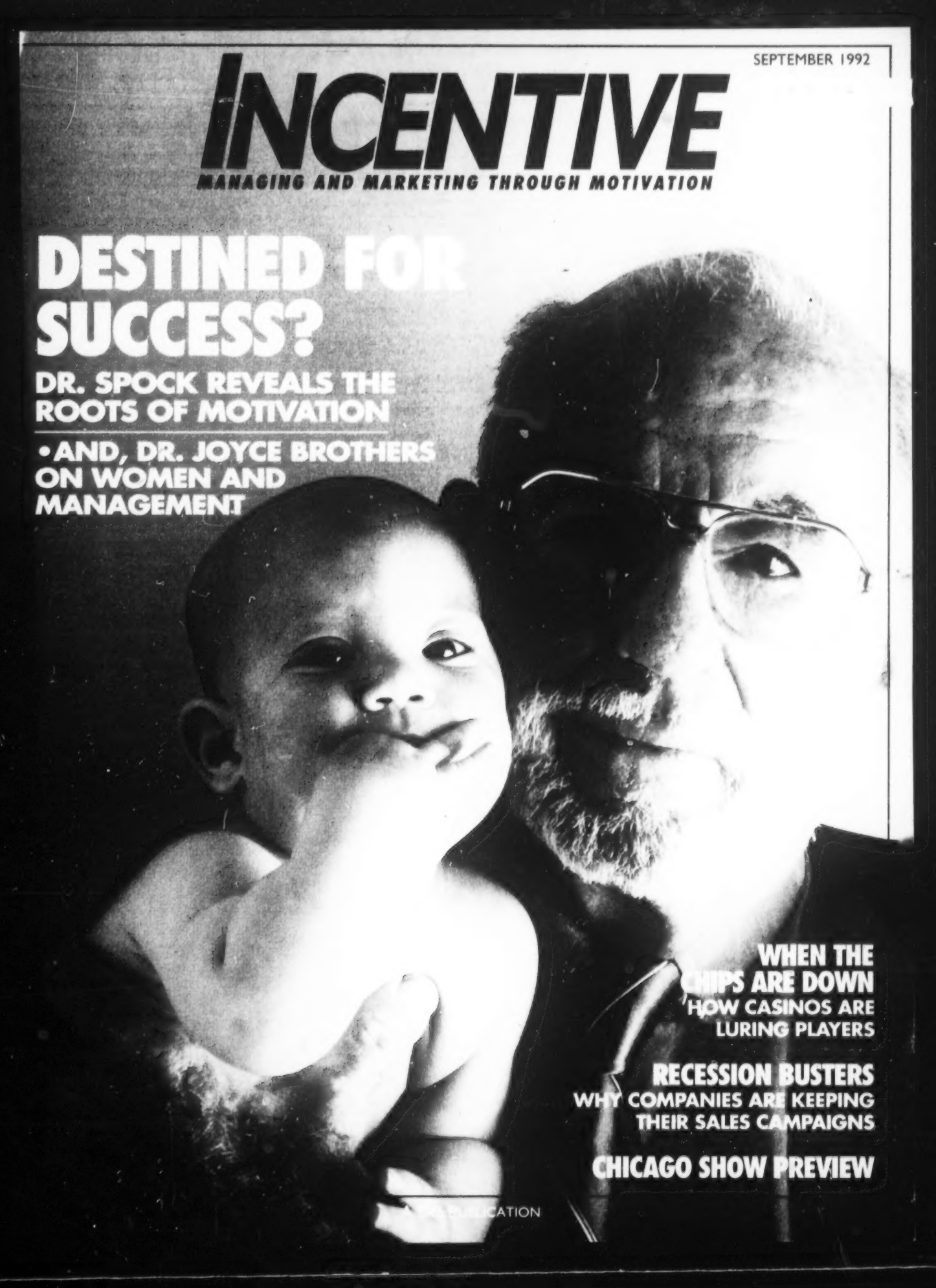
DESTINED FOR SUCCESS?

DR. SPOCK REVEALS THE ROOTS OF MOTIVATION

• AND, DR. JOYCE BROTHERS ON WOMEN AND MANAGEMENT



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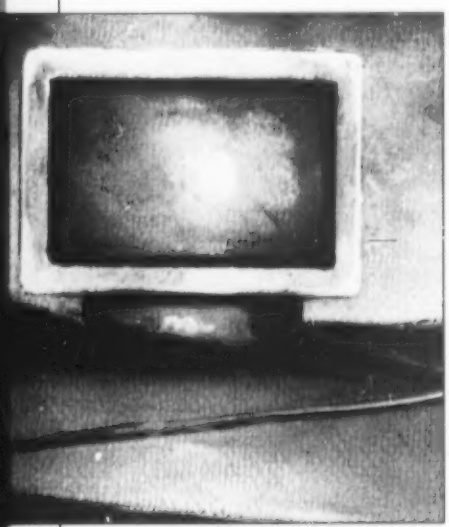

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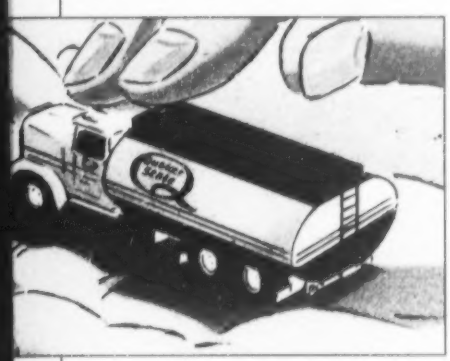

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Cover photo: D. Kirkland/Sygma

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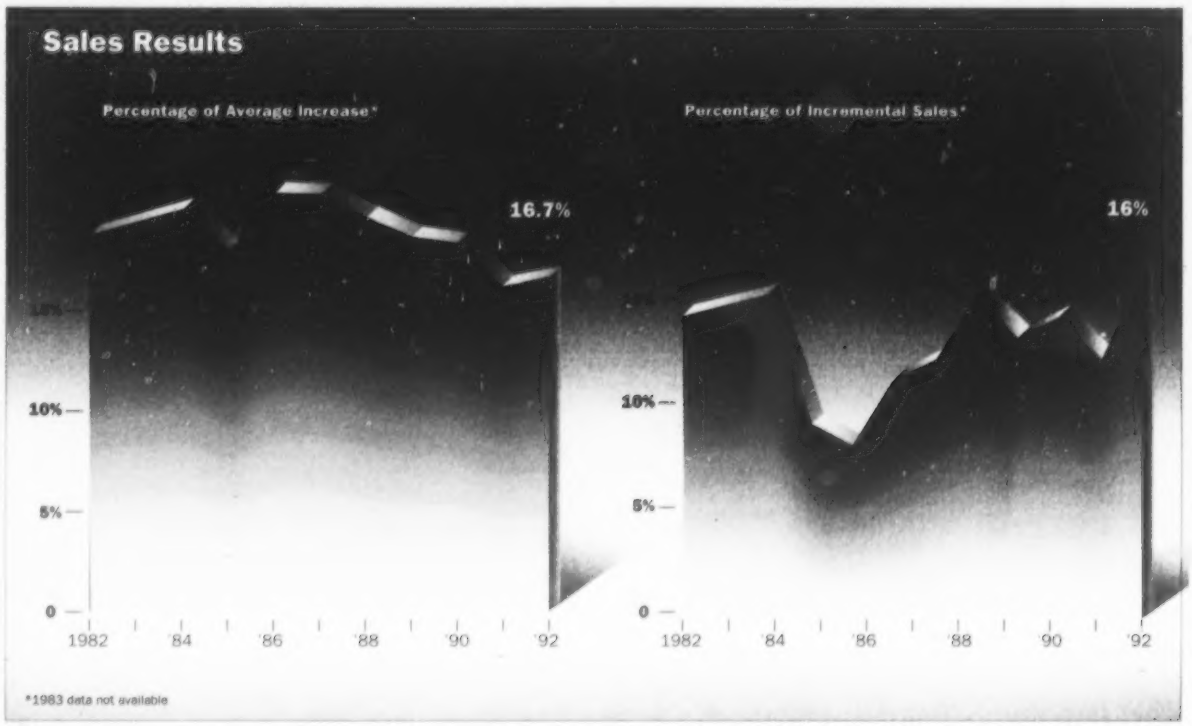


Charts: Dirk Glaspie

FACTS SURVEY: SALES INCENTIVES

Sales incentive users have not cut back on the number or scope of their incentive programs. Nor have they tempered their optimism. What has declined, however, are the sales gains for this year's programs. But at least the programs are netting some modest gains.

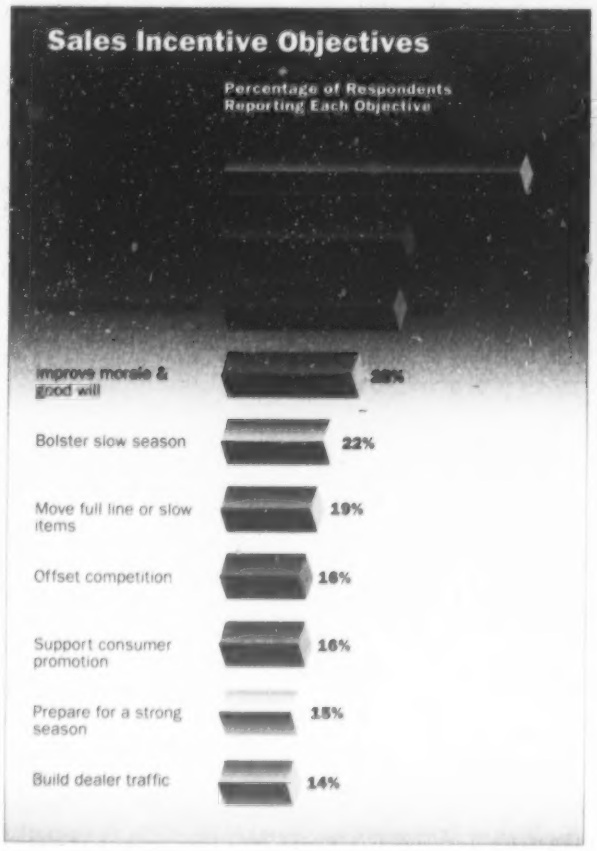
Sales gains produced during 1992's incentive campaigns are up 16.7 percent—a half-point higher than last year's gains. While the figures fall well below the 18- to 21-percent yields registered by sales-campaign users during the 80's, certainly sponsors of sales programs appear to be holding their own this year—but with effort.

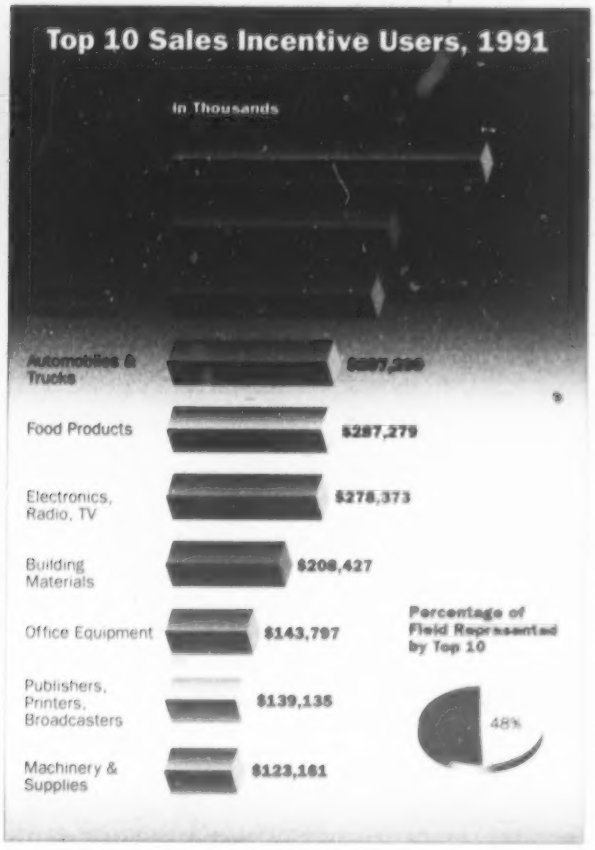
"We have to spend more money on programs and be more aggressive," writes one respondent, Steven Spuhler, owner of Spuhler Enterprises, a small wholesaler in Blue Bell, Pa. "Only harder work and longer hours will help bring us out of these challenging times." Agrees Allen Yoder Jr., president of Jayco Inc., a recreational-vehicle manufacturer in Middlebury, Ind., "For the past two years, we haven't asked for an increase in volume. We said, 'Just meet last year's volume and we are happy.' If we meet it, we'll go on a trip."

Indeed, because fewer qualifiers are achieving those award-winning quotas, companies may be spending more to achieve those gains. In 1992,

In slow times, sales incentives help maintain revenues and market share. In 1992, that's just what the programs seem to be doing.

EMPLOYEE M





for example, only 35 percent of salespeople are qualifying for awards, while a year ago the percentage of those qualifying for trips and merchandise stood at just over 40 percent—close to the average logged in the past 10 years.

According to **Incentive**'s most recent survey of 116 companies that use sales incentives, there is some other disheartening news: Last year, the cost of increasing sales with incentive promotions (expressed as a percentage of the sales gains achieved) represented just 12 percent of the incremental volume, which was lower than in previous years. This year, the survey shows, it costs even more to produce just about the same results. The percentage has jumped to 16 percent, higher than any year's average since the mid-70's. The good news is that the median remains at 10 percent—where it has been for six consecutive years.

Spending for sales incentives has slowed down. For all trade incentives—company sales programs and dealers' sales campaigns—respondents who gave budget figures for 1991 and 1992 plan a 4-percent dollar increase this year—barely keeping pace with the rate of inflation. Last year, expenditures for sales incentives rose 4.6 percent, for a total of about $5.9 billion.

Promotion, often cited by incentive experts as the most critical element of producing a sales campaign, appears to be drawing less attention in these tough times. On average, respondents devote 17 percent of their total budget to collateral materials and other costs (compared with 19 percent last year), with the remaining 83 percent going toward purchasing awards.

"For the past two years, we haven't asked for an increase in volume. We said, 'Just meet last year's volume and we are happy.'"

REWARDING TRENDS

The cost of merchandise and travel awards, meanwhile, has held steady. While the average merchandise prize costs these users an average of $186—well below the $298 recorded in last year's survey—the more significant (and stable) median cost remains unchanged: $100 per merchandise award. (The averages tend to fluctuate rather wildly from year to year; a couple of

big spenders can distort them at any time.)

The same trend holds true with travel: Where the average trip cost is $2,225, down from last year's $2,420, the median has stayed even, at $2,000. Steven Veurink's comments reflect this. The product manager for Gordon Food Service in Grand Rapids, Mich., writes, "For travel awards, we have cut the number of international trips, but have added more domestic options of higher quality."

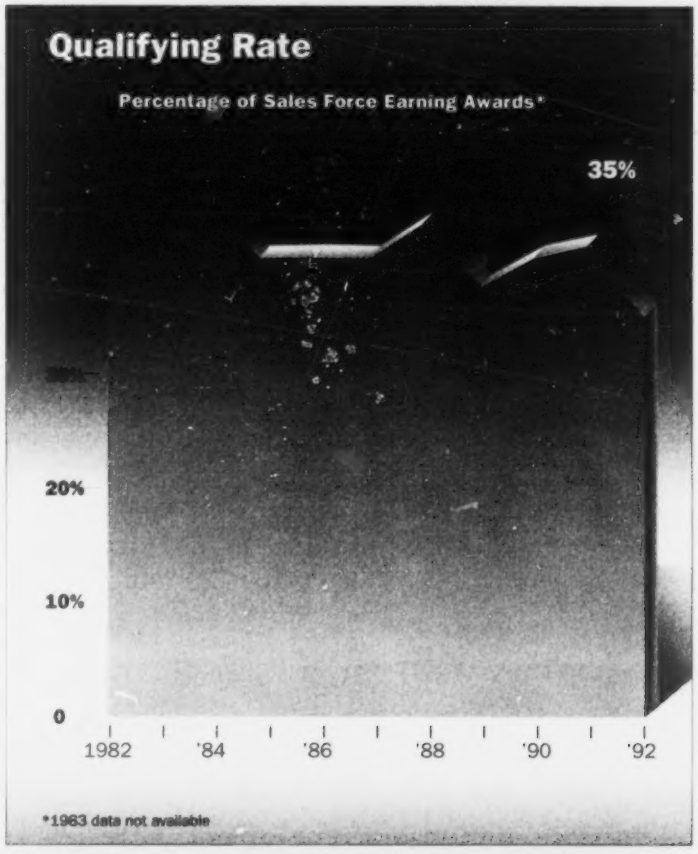
AND THE WINNERS ARE...

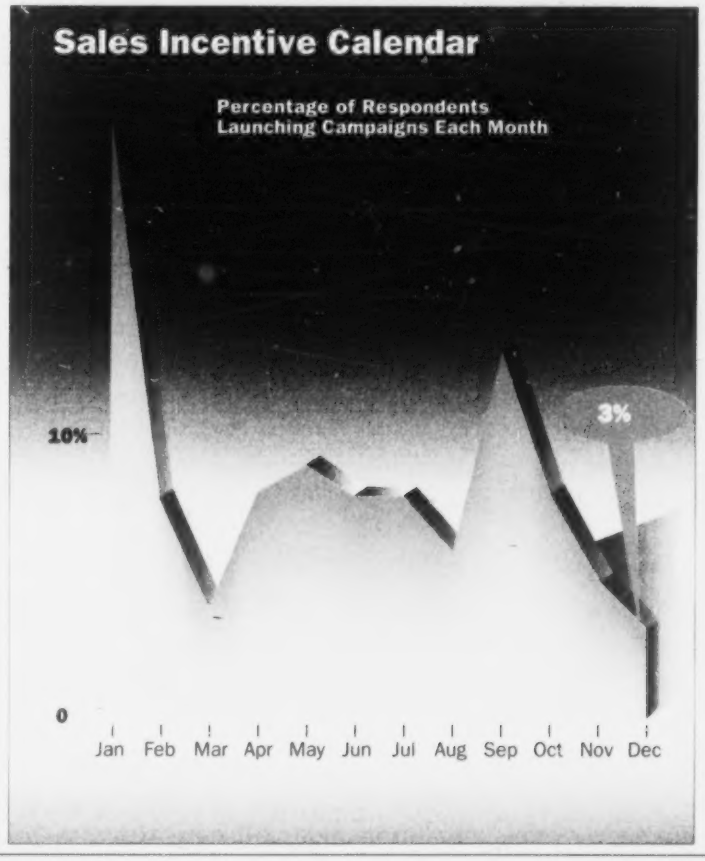
Who's winning all the awards? Most winners are company-employed salespeople, targeted by 68 percent of respondents. "We're looking for the greatest return for the monies expended, so we're shifting the emphasis of our sales incentives to our front line," claims an executive with IMO Industries Inc., a Cleveland-based manufacturer. "We have reduced the manager's level of participation while maintaining the full value for our direct salespeople, thus reducing the total cost but still retaining the full value."

Spending for sales and trade incentives has slowed down: Executives budgeted a 4-percent dollar increase for 1992 programs.

Still, company-employed salespeople are outnumbered in total by all the other types of audiences, which add up to 78 percent. (The total exceeds 100 percent because the average company directs its promotions at more than one type of salesperson.) Thirty-two percent of non-employee programs target manufacturers' representatives and agents; 19 percent target wholesaler or jobber sales forces; 17 percent, retailer salespeople, and 2 percent, door-to-door or party-plan sellers.

Overall, 88 percent of the surveyed





executives offer merchandise incentives, and 70 percent use travel—indicating a substantial number favoring both. (Merchandise and travel awards are often combined in the same program.) While many users say they favor using both travel and merchandise in their motivational programs, the fact remains that only 33 percent of executives actually practice the principle. At the same time, 53 percent of them feature travel alone in at least a few of their campaigns.

This year's numbers show 43 percent of participants winning merchandise and just 26 percent earning travel awards. This rift is reflected in prior years; for example, last year the survey showed 51 percent of all participants qualifying for merchandise offerings and 34 percent winning trips in the U.S. or overseas.

WHAT ARE THE GOALS?

When targeting their promotions this year, users have shifted their emphasis slightly away from full-line selling toward a more selective market push. This trend is reflected in two of the more popular choices.

The top-ranked goal for sales campaigns remains "increasing overall value;" while "featuring selected items" comes in second.

"Featuring selected items"—the strategy picked by 48 percent this year—is up over the 40 percent registered in 1991, while "promoting the full line," chosen by 42 percent this year, is down from 54 percent last year. The top-ranked goal—"increasing overall volume"—remains at 65 percent, about where it has been for several years.

Regarding other campaign objectives, the objective of "introducing new products," a 47-percent second choice in 1990, fell to 41 percent last year, and is now a key target in only 37 percent of sales programs. "Selling new accounts" is still an attractive goal, favored by 39 percent—but economic realities have pulled it down from its strong showing of 53 percent a year ago.

When planning their merchandise-oriented sales campaigns, respondents report that they average 14 weeks of preparation, while the actual campaigns last 13 weeks. That compares with 17 weeks of planning for a 13-week run a year ago. Travel users spend 37 weeks getting ready for their 33-week program, up from 31 and 29 weeks, respectively, in 1991.

However long the planning and qualifying periods are, most respondents express some vehemence in retaining their sales programs in tough times. "We find it completely necessary to continue to motivate our people," claims Dan Bonin, director of Wax Shop, an auto parts firm in Bakersfield, Calif. "Momentum flows from the top. If we slow down, so will they." □